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New York State Chamber
of Commerce

Report of the Committee...

State of New-York

New York

1902

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REPORT OF THE COMMITTEE
ON
FINANCE AND CURRENCY
OF THE
CHAMBER OF COMMERCE
OF THE
STATE OF NEW-YORK,

ON THE FOLLOWING RESOLUTION :

"Be it Resolved, That it be referred to the Committee on Finance and Currency to report to the Chamber such feasible measures as in its opinion would tend to provide against a money situation, such as we have had recently to deal with."

THE REPORT WAS ADOPTED BY THE CHAMBER DECEMBER 4, 1902.

NEW YORK:
PRESS OF THE CHAMBER OF COMMERCE,

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R E P O R T.

To the Chamber of Commerce:

Your Committee on Finance and Currency, to whom was referred the following resolution :

"Be it Resolved, That it be referred to the Committee on Finance and Currency to report to the Chamber such feasible measures as in its opinion would tend to provide against a money situation, such as we have had recently to deal with,"

respectfully report:

That they have given careful consideration to the question of the currency laws which are now in operation, and to such changes as have been suggested in connection therewith.

Your Committee has heretofore reported to the Chamber upon proposed legislation dealing with the currency question, as this was introduced in and brought before Congress. Your Committee feels that the Chamber of Commerce, having already frequently expressed views and made recommendations as to the feasibility and advisability of various measures dealing with the currency, introduced in Congress and otherwise brought before the country, the Chamber should not now make any comment upon the advisability of enacting into law of one or the other of the well understood measures heretofore proposed and dealing with the question of currency reform.

Your Committee is, however, of the opinion that the effectiveness and elasticity of the present circulation of the national banks could be improved to a considerable extent if the banks were permitted to retire their circulation at will, without being limited to a total retirement of only three millions of dollars in any one month of the year. The margin of profit in national bank circulation is very narrow, and every proper inducement should be offered to the banks to take out such circulation as is needed in the channels of commerce and trade; and its issuance and redemption should be permitted without any restriction being placed upon the right to redeem. The fact that when taken out, such circulation can only be retired by a long and tedious process deters many institutions from taking it out at all.

Your Committee is further impressed that, supplementary to the present bank note circulation, such a credit currency should be cre-

ated as would flow with trade and commerce in its upward and downward tendencies. Such a supplementary circulation should bear proper relation to the capital of the respective issuing banks; it should, moreover, rest upon the commercial and industrial credits which, of necessity, need continually to be made to aid in the creation, development and liquidation of trade, and it should be secured in the most perfect manner, so that its redemption can at no time be called into the slightest doubt.

Your Committee further urges that proper laws be promptly enacted to render the gold standard inviolate, and, to that end, that the Secretary of the Treasury be directed to maintain at all times on a parity with gold the legal tender silver dollars remaining outstanding, and that he be directed to exchange gold for legal tender silver dollars when presented to the Treasury.

That the coinage of one million and a half of silver dollars per month, now required by law, should cease.

That the Secretary of the Treasury should be authorized to coin the silver bullion in the Treasury into such denominations of subsidiary silver coin as he may deem necessary to meet public requirements, and, as public necessities may demand, to re-coin silver dollars into subsidiary coin.

As a further measure which, in the opinion of your Committee, would effectively tend to provide against a money situation such as we recently had to deal with, your Committee recommends that the Secretary of the Treasury should have his powers extended very promptly, through a clear definition of the law under which he is permitted to deposit public moneys in national banks, and by giving him also enlarged discretionary powers, as to the making of deposits of public moneys. As the law now stands, deposits of public moneys in national banks can only be made from funds which come into the hands of the Collectors of Internal Revenue, while funds received from customs duties must go directly into the United States Treasury and remain there until disbursed by the Government. This provision, no doubt, originated in a desire on the part of Congress to assure to the public creditor the funds in gold from which the interest on the Government debt were to be paid in gold without fail, at a time when the credit of the Government was greatly strained, and such assurances were demanded to enable the ready placing of large amounts of the bonds of the Government. Such a situation has passed long ago, and there appears to be no longer any good reason why the funds received from customs duties should be treated in any other way than the revenues from internal taxes.

It appears to your Committee that, in view of the action already taken by the Secretary of the Treasury, during the recent severe pressure of money conditions, that the existing statute, the language of which appears ambiguous, and under which it is not entirely clear to what extent the Secretary of the Treasury may use discretion in accepting other security than United States bonds for deposits of public moneys, should be amended so as to expressly

authorize the acceptance of State and Municipal bonds, within certain limitations, as security for public deposits, and your Committee further suggests that, in order to make the funds of the Government, which, after all, are the funds of the people, available to a larger degree than is now the case, for the needs of commerce and industry of the country, instead of withdrawing these funds from the channels of trade, the law be so amended as to authorize the Secretary of the Treasury to deposit, in his discretion, any public funds in the national banks, against such security as the law may authorize, except the gold reserve, held for the redemption of legal tender notes and such working balance which he shall deem it advisable to maintain.

If this be done, and the Secretary of the Treasury be under an amended statute directed to exact upon public funds, deposited in the national banks, except where such funds are secured by the deposit of United States bonds, interest at a rate not less than two per cent. per annum, the effect would be that in times of monetary pressure, such as we have frequently and only recently passed through, the entire money supply in the country, inclusive of the public funds, could be made available. It is a well established fact that in times of great prosperity and activity Government revenues, both from Internal and from customs dues, increase considerably, and, in consequence, the withdrawal and locking up into the Treasury of large cash supplies take place at the very time when the money in the country is most needed for its business.

On the other hand, if the depository banks are called upon to pay interest on the public funds they obtain on deposit, this will result in the return of these funds to the Treasury when no longer required, and when these funds, therefore, can no longer be used by the banks to advantage. Thus a constant flow, moving with the needs of the money market from and into the Treasury, will be established, which will go far to remedy, if not to make impossible, such conditions as have recently and frequently heretofore existed, and under which interest has advanced to abnormal rates, to the serious detriment of the legitimate trade of the country.

As to the proposition so often and sometimes persistently made, for a special "Emergency Currency," your Committee is of the opinion that this may possibly have a legitimate place in a properly safeguarded general system of credit currency; standing by itself it would, when availed of, only increase the distrust and difficulties, to allay which, ostensibly, would be its purpose. We must come right down to the proposition that the only thing which can be done to make our financial system safe and sound and solid, is to get down to one legal tender, and that is gold, and then to bank upon a currency circulation enlarged beyond the present authorized issues of the national banks, and based upon the credit of the legitimate trade of the country, and rigidly safeguarded under the law. This is the only true solution of the problem of currency that we can see; we believe this can be made perfectly safe; we believe it will prove of immense advantage to the country, and we

believe it to be in the interest of the whole people that it should be established. We need an enlarged circulation which, while perfectly secure, will have sufficient elasticity to meet the constant and varied demand made upon it under all conditions, and we need a banking system such as will secure to all points of the country a rate of interest equitable and just, which will rise and fall automatically with the varying demands of trade and commerce. Until this is accomplished, as accomplished it must be, if we are to permanently assure and increase our prosperity and commercial supremacy, the measures herein pointed out will, in the opinion of your Committee, tend to make money conditions more elastic, and, to some extent, at least, counteract such conditions in the money market as we have recently had to deal with.

All of which is respectfully submitted.

(Signed,) JOHN HARSEN RHOADES,
 GEORGE G. WILLIAMS,
 JACOB H. SCHIFF,
 CHARLES S. FAIRCHILD,
 LYMAN J. GAGE,

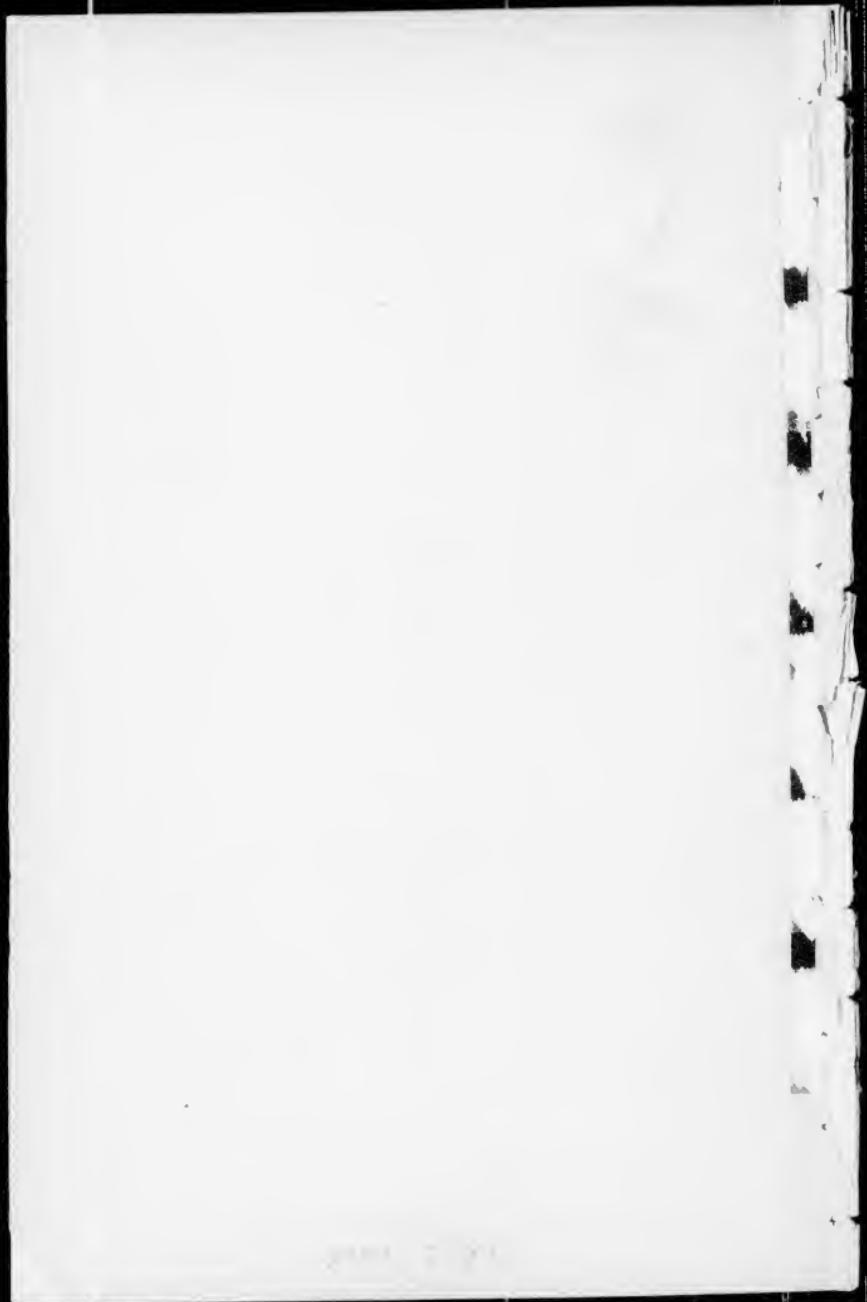
*Of Committees
on Finance and
Currency.*

NEW-YORK, December 2d, 1902.

The following resolutions were adopted :

Resolved, That the report of the Committee on Finance and Currency be accepted and adopted, and that the Committee be requested to present this report in person to the President of the United States, the Secretary of the Treasury and the Chairman of the Committee of Finance of the Senate, and of the Committee on Banking and Currency of the House; also, that copies of the same be sent to each member of Congress.

Resolved, That copies of this report be sent to the official representatives of all Chambers of Commerce and Boards of Trade in the United States, with the request that these bodies give careful consideration to the questions involved in this report, and join with the members of this Chamber in the endeavor to secure from Congress prompt measures of relief.



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TITLE**